

MESSAGE FROM THE
GOVERNOR

The Chair laid before the House and had read the following message from the Governor:

June 30th, 1941.

To the House of Representatives of the Forty-seventh Legislature:

I have this day disapproved House Bill No. 971 for the following reasons:

In Section 1 of this bill, it provides:

"That the governing body of any city or town in this State whose street or streets form a connecting link between State highways, having outstanding as of the effective date of this Act, unpaid and delinquent indebtedness against the general fund, whether in the form of scrip warrants, warrants or notes, or in either or all of such forms, and which cannot derive revenues for general fund operating purposes from any publicly owned utilities at this time, is hereby authorized to issue funding or refunding bonds for the purpose of funding any such items which constitute legal indebtedness of such city or town. No election nor notice of intention to issue such funding or refunding bonds shall be required."

To me it is obvious that under this provision any city that had unpaid and delinquent indebtedness against its general fund, if it came within the provisions of this Act, could without notice of intention to do so, issue bonds to retire this indebtedness. Furthermore, other sections of the bill would warrant the issuance of these bonds for thirty years at an interest rate of not to exceed five per cent.

Then Section 5 of this bill reads as follows:

"All such outstanding indebtedness is hereby validated, provided that the provisions of this section shall not be applicable to any such items of indebtedness which may be in litigation at the time this Act becomes effective."

Here you have a broad authority granted to these cities to issue refunding bonds at what I consider a high rate of interest for a period of

thirty years and to take the action without even notice to the taxpaying public. Furthermore, the Act validates all of this indebtedness unless it is now in litigation, which might mean the validating of some indebtedness of a very questionable nature.

It is true that if a city has publicly owned utilities from which it is deriving revenue for its general fund, or if none of the streets of the city form connecting links between State highways, it would be excluded from this Act. But it seems to me that this would exclude very few and that the bill as drawn, applies to most cities of the State.

I believe the present laws of the State authorizing and providing the procedure for the issuance of funding bonds, are adequate to take care of all existing needs and I believe the passage of this bill would open the way for the unnecessary expansion of debt of local units of government, because whenever you encourage local units of government to adopt questionable methods of going into debt and later satisfying these debts by issuing bonds, you are certainly encouraging unsound financing, and for this reason, I have this day disapproved the bill.

Respectfully submitted,

W. LEE O'DANIEL,
Governor of Texas.